United States Senate
WASHINGTON, DC 20510

January 13, 2010

The Honorable Harry Reid
Majority Leader
United States Senate
Washington, DC 20510

Dear Majority Leader Reid:

We deeply appreciate all of your hard work to enact historic health care reform, and we look forward to a final bill being signed into law by President Obama early this year. As we begin the process of reconciling the differences between the House and Senate-passed bills, we wish to call your attention to a serious fiscal issue that could affect the ability of our respective states to prepare for the implementation of comprehensive reform and to provide access to health care services for our most vulnerable populations.

As you are aware, the American Recovery and Reinvestment Act (P.L. 111-5) provided $87 billion in fiscal relief to states through an increase in their Federal Medical Assistance Percentage (FMAP). This relief has helped stabilize state and local economies during the economic downturn by assisting states with growing Medicaid enrollment at a time when state revenues are declining. It has also helped protect against deep job losses. State Medicaid relief has been a very effective stimulus during this period of economic uncertainty.

By design, however, federal Medicaid relief funding will terminate when the recession adjustment period ends on December 31, 2010, which occurs in the middle of fiscal year 2011 for most states. While we had all hoped that state fiscal relief would only be necessary for 27 months, the reality is that this economic downturn persists and many states are still facing severe budget shortfalls. In fact, several states are just now beginning to experience the worst part of this recession.

State spending is crucial to our national economy. States are on the front lines addressing high unemployment, increases in the number of families in poverty, and the growing number of those who are uninsured. By law, 49 states are required to balance their budgets and, in times of economic downturn, this task becomes significantly more difficult. As states struggle to close these historically large deficits, they will have to make severe cuts in education and Medicaid, which consume the largest portions of their budgets and also raise revenues. These cuts are already being proposed by governors in their new budgets and will be considered by state legislatures starting next month.

As our state governments begin their budget processes for the 2010-2011 fiscal year, they are currently faced with instituting tax increases and budget cuts to close an estimated $180 billion shortfall. These budget actions not only threaten access to benefits and services, but could stall the economic recovery by decreasing gross domestic product by nearly one percentage point and could result in the loss of 900,000 jobs. State budget experts predict that deficits in state fiscal year 2012 could total at least $120 billion.

We share your belief that one of our highest national priorities should be promoting job creation and a strong economic recovery. Extending state fiscal assistance is one of the most effective ways to achieve these goals. The House of Representatives recently passed the Jobs for Main Street Act of 2010 (H.R. 2847), which included an extension of the enhanced FMAP rate through June 2011. This six-month extension was also included in Section 1749 of the House-passed health reform bill (H.R. 3962).

During this time of economic uncertainty, and as current state budget gaps also threaten to undermine the program for years to come, we urge you to fully extend the FMAP provisions in ARRA until at least June 30, 2011, and include robust long-term FMAP financing for states in the final health reform conference report. Without these funds, states will have to cut critical services and raise taxes even more than otherwise would be the case, further undermining economic growth. Additional FMAP funding will help states continue to serve vulnerable populations through Medicaid, at a time when they need assistance the most, avoid making harmful reductions in vital benefits and services, provide additional protection against deep job losses, and protect the sustainability of Medicaid at the very moment we are trying to expand the program.

We thank you for your leadership and continued support in helping our states during this time of economic difficulty. We look forward to working with you to ensure that state and local governments have the necessary resources to preserve health care programs to vulnerable Americans during this time of unprecedented fiscal crisis.

Sincerely,

Michael F. Bennet　　Jay Rockefeller

John F. Kerry　　Jack Reed

Al Franken　　Amy Klobuchar

Kirsten E. Gillibrand

Carl Levin

Roland W. Burris

Sherrod Brown

Debbie Stabenow

Barbara A. Mikulski

Tim Johnson

Paul G. Kirk, Jr.

Tom Udall

Russ Feingold

Ben Cardin

Barbara Boxer

Mark Begich

Patrick Leahy

Frank R. Lautenberg

Herb Kohl

Kay R. Hagan

Ted Kaufman

Jeanne Shaheen | Charles Schumer
Robert Menendez | Bob Casey, Jr.
Daniel K. Akaka | Sheldon Whitehouse
Maria Cantwell | Bernard Sanders
Mark Udall | Blanche L. Lincoln
Dianne Feinstein | Jeffrey A. Merkley
Arlen Specter | Tom Harkin